

**REPORT OF THE COMMISSION STAFF**  
**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 2001-164-W/S**  
**KIAWAH ISLAND UTILITY, INC.**

**REPORT OF THE AUDIT DEPARTMENT**

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

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**DOCKET NO. 2001-164-W/S**  
**KIAWAH ISLAND UTILITY, INC.**

**SYNOPSIS**

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Amount Requested-----	\$1,139,180
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Operating Margin – Combined

Per Books-----	(0.17)%
After Accounting and Pro Forma Adjustments-----	3.98%
After Proposed Increase-----	17.37%

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**REPORT OF THE AUDIT DEPARTMENT**  
**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
**DOCKET NO. 2001-164-W/S**  
**KIAWAH ISLAND UTILITY, INC.**

**ANALYSIS**

The Audit Department Staff has made a review of the application of Kiawah Island Utility, Inc. (hereinafter referred to as the Company or Kiawah) along with certain of its accounting records, relative to the Company's application to increase certain of its rates and charges under Docket No. 2001-164-W/S.

The Company is a water and wastewater utility operating in the State of South Carolina. The Company furnishes both water and sewer service to residential and commercial customers on Kiawah Island, in the County of Charleston. The Company's home office is located at 31 Sora Rail Road, Johns Island, South Carolina, 29455.

The following is a summary of the Company's most recent rate requests before this Commission:

Date of Order	Effective Date	Docket Number	Amount Requested	Amount Granted	Operating Margin
03/31/99	03/31/99	98-328-W/S	\$489,151	\$300,114	6.50%
01/08/97	01/08/97	96-168-W/S	\$484,369	\$235,338	3.55%
12/15/92	12/15/92	92-192-W/S	\$472,384	\$360,980	8.50%

In its present application, the Company requested additional revenues of \$1,102,376. Staff calculated the requested revenues to be \$1,139,180.

The operating margin, after accounting and pro forma adjustments, was computed by the Staff to be 3.98%. This operating margin increases to 17.37% after the proposed increase of \$1,139,180.

Rate of Return on Common Equity was computed by the Staff to be 3.84% after the effect of accounting and pro forma adjustments. Such rate of return increased to 21.60% after revenues were adjusted for the proposed increase of \$1,139,180. In computing the return on common equity, the Staff utilized the Company's capital structure as of December 31, 2001 in order to allocate the rate base to the respective classes of capital.

The Staff's exhibits relative to the Company's application are as follows:

**EXHIBIT A: OPERATING EXPERIENCE, RATE BASE AND OPERATING MARGIN – COMBINED.**

Detailed in this Staff exhibit are the Company's Operating Experience, Rate Base and Operating Margin for the test year ended December 31, 2000, the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations and the Company's normalized operations, both before and after the effect of the requested increase.

Utilizing a rate base of \$11,580,346 and per book income of \$532,562, the Staff computed an operating margin of (0.17)%. Pro forma adjustments increased income and decreased rate base resulting in operating income of \$642,580 and a rate base of \$10,051,898. The operating margin computed by the Staff after accounting and pro forma adjustments was 3.98%. After the Staff adjusted operating income for the proposed increase of \$722,546, net of taxes and other expenses, plus growth, operating

income increased to \$1,365,126 while rate base remained \$10,051,898. The operating margin computed by the Staff after the adjustment for the proposed increase is 17.37%.

**EXHIBIT A-W: OPERATING EXPERIENCE, RATE BASE AND OPERATING MARGIN – WATER OPERATIONS**

Detailed in this Staff exhibit are the Operating Experience, Rate Base and Operating Margin for Water Operations.

**EXHIBIT A-S: OPERATING EXPERIENCE, RATE BASE AND OPERATING MARGIN – SEWER OPERATIONS**

Detailed in this Staff exhibit are the Operating Experience, Rate Base and Operating Margin for Sewer Operations.

**EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS**

Detailed in this Staff exhibit are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

**EXHIBIT A-2: CUSTOMER GROWTH COMPUTATION**

The Staff's computation of the Company's customer growth factor during the test year is shown in this exhibit. The Staff computed a growth factor of 1.81% for water operations and a growth factor of 2.64% for sewer operations. The Staff arrived at combined customer growth by adding water customer growth to sewer customer growth.

**EXHIBIT A-3: COMPUTATION OF CASH WORKING CAPITAL ALLOWANCE**

Detailed in this Staff exhibit is the calculation of cash working capital on per book and corrected per book operations at December 31, 2000. The Staff utilized a forty-five

day cash working capital allowance, which is consistent with past rate cases involving Kiawah Island Utility, Inc.

#### **EXHIBIT A-4: RECONCILIATION OF TOTAL INCOME FOR RETURN**

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to total income for return.

#### **EXHIBIT A-5: RECONCILIATION OF RATE BASE**

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to the rate base contained on Exhibit A.

#### **EXHIBIT A-6: RETURN ON COMMON EQUITY**

The Company's return on common equity is computed both before and after the requested increase. The rate base, as shown on Exhibit A, is allocated among the various classes of debt and equity according to the respective ratios as computed using the company's capital structure as of December 31, 2001. The amount of total income for return necessary to cover embedded cost rates on long term debt was computed to be \$486,572. The remainder of total income for return is income to common equity. Such remainder produces a return of 3.84% to common equity before the requested increase.

After the requested increase of \$1,139,180, income available to common equity increases to \$878,554 and return on common equity increases to 21.60%.

#### **EXHIBIT A-7: REVENUE REQUIREMENTS**

Included in this exhibit are the alternate revenue requirements using Staff's adjustments presented on Exhibit A and the range of operating margins of 5.00%, 10.00%, and 15.00%.



**EXHIBIT A-8: INCOME STATEMENT**

Staff, in this exhibit, has presented the Company's Income Statement for the test year ended December 31, 2000.

**EXHIBIT A-9: BALANCE SHEET**

The Staff presents in this exhibit the Company's Balance Sheet as of December 31, 2000.

Audit Exhibit A

Kiawah Island Utility, Inc.  
Operating Experience, Rate Base, and Operating Margin - Combined  
Test Year Ended December 31, 2000

	(1)	(2)	(3)	(4)	(5)
<b>Combined Operations</b>	Per	Accounting	As	Proposed	Effect of
Description	Books	& Pro Forma	Adjusted	Increase	Proposed
	\$	\$	\$	\$	\$
<b><u>Operating Revenues</u></b>					
Water	2,809,173	29,785 (1)	2,838,958	680,187 (17)	3,519,145
Sewer	989,561	55,917 (1)	1,045,478	458,993 (17)	1,504,471
Other	126,367	(91,559) (2)	34,808	0	34,808
<b>Total Operating Revenues</b>	<b>3,925,101</b>	<b>(5,857)</b>	<b>3,919,244</b>	<b>1,139,180</b>	<b>5,058,424</b>
<b><u>Operating Expenses</u></b>					
Purchased Water	1,613,441	0 (3)	1,613,441	0	1,613,441
Salaries and Benefits	476,521	(3,594) (4)	472,927	0	472,927
Depreciation and Amortization	407,136	(36,803) (5)	370,333	0	370,333
Rental	95,629	0	95,629	0	95,629
Management Fee	100,000	(64,000) (6)	36,000	0	36,000
Fuel and Electricity	139,294	0 (7)	139,294	0	139,294
Repairs and Maintenance	78,151	(30,115) (8)	48,036	0	48,036
Other Operating Expenses	319,254	(62,213) (9)	257,041	0	257,041
Taxes - Other Than Income	173,541	(1,449) (10)	172,092	12,767 (18)	184,859
Income Taxes	0	84,999 (11)	84,999	419,032 (19)	504,031
<b>Total Operating Expenses</b>	<b>3,402,967</b>	<b>(113,175)</b>	<b>3,289,792</b>	<b>431,799</b>	<b>3,721,591</b>
<b><u>Net Operating Income</u></b>	<b>522,134</b>	<b>107,318</b>	<b>629,452</b>	<b>707,381</b>	<b>1,336,833</b>
Customer Growth (Exh. A-2)	10,428	2,700 (12)	13,128	15,165 (20)	28,293
<b><u>Net Income For Return</u></b>	<b>532,562</b>	<b>110,018</b>	<b>642,580</b>	<b>722,546</b>	<b>1,365,126</b>
<b><u>Rate Base</u></b>					
Plant In Service	15,684,087	41,284 (13)	15,725,371	0	15,725,371
Accumulated Depreciation	(4,456,527)	55,742 (14)	(4,400,785)	0	(4,400,785)
Net Plant in Service	11,227,560	97,026	11,324,586	0	11,324,586
Construction Work in Progress	0	0	0	0	0
Materials and Supplies	0	0	0	0	0
Cash Working Capital (Exh. A-3)	352,786	(28,804) (15)	323,982	0	323,982
Contributions in Aid of Constr.	0	(1,596,670) (16)	(1,596,670)	0	(1,596,670)
Accumulated Def. Income Taxes	0	0	0	0	0
Customers' Deposits	0	0	0	0	0
<b>Total Rate Base</b>	<b>11,580,346</b>	<b>(1,528,448)</b>	<b>10,051,898</b>	<b>0</b>	<b>10,051,898</b>
<b><u>Operating Margin</u></b>	<b>-0.17%</b>		<b>3.98%</b>		<b>17.37%</b>
<b><u>Interest For Operating Margin</u></b>	<b>539,191</b>		<b>486,572</b>		<b>486,572</b>

Audit Exhibit A-W

Kiawah Island Utility, Inc.  
Operating Experience, Rate Base, and Operating Margin - Water  
Test Year Ended December 31, 2000

<u>Water Operations</u> Description	(1) Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) Effect of Proposed Increase \$
<b><u>Operating Revenues</u></b>					
Water	2,809,173	29,785 (1)	2,838,958	680,187 (17)	3,519,145
Sewer	0	0 (1)	0	0 (17)	0
Other	71,307	(50,434) (2)	20,873	0	20,873
<b><u>Total Operating Revenues</u></b>	<b>2,880,480</b>	<b>(20,649)</b>	<b>2,859,831</b>	<b>680,187</b>	<b>3,540,018</b>
<b><u>Operating Expenses</u></b>					
Purchased Water	1,613,441	0 (3)	1,613,441	0	1,613,441
Salaries and Benefits	166,782	(1,258) (4)	165,524	0	165,524
Depreciation and Amortization	252,349	(30,582) (5)	221,767	0	221,767
Rental	55,848	0	55,848	0	55,848
Management Fee	59,066	(37,376) (6)	21,690	0	21,690
Fuel and Electricity	77,289	0 (7)	77,289	0	77,289
Repairs and Maintenance	35,212	(16,390) (8)	18,822	0	18,822
Other Operating Expenses	122,236	(39,157) (9)	83,079	0	83,079
Taxes - Other Than Income	93,873	(965) (10)	92,908	7,623 (18)	100,531
Income Taxes	0	89,052 (11)	89,052	249,783 (19)	338,835
<b><u>Total Operating Expenses</u></b>	<b>2,476,096</b>	<b>(36,676)</b>	<b>2,439,420</b>	<b>257,406</b>	<b>2,696,826</b>
<b><u>Net Operating Income</u></b>	<b>404,384</b>	<b>16,027</b>	<b>420,411</b>	<b>422,781</b>	<b>843,192</b>
Customer Growth (Exh. A-2)	7,319	290 (12)	7,609	7,652 (20)	15,261
<b><u>Net Income For Return</u></b>	<b>411,703</b>	<b>16,317</b>	<b>428,020</b>	<b>430,433</b>	<b>858,453</b>
<b><u>Rate Base</u></b>					
Plant In Service	9,578,274	(55,797) (13)	9,522,477	0	9,522,477
Accumulated Depreciation	(2,651,911)	27,796 (14)	(2,624,115)	0	(2,624,115)
Net Plant in Service	6,926,363	(28,001)	6,898,362	0	6,898,362
Construction Work in Progress	0	0	0	0	0
Materials and Supplies	0	0	0	0	0
Cash Working Capital (Exh. A-3)	266,234	(16,404) (15)	249,830	0	249,830
Contributions in Aid of Constr.	0	(1,555,545) (16)	(1,555,545)	0	(1,555,545)
Accumulated Def. Income Taxes	0	0	0	0	0
Customers' Deposits	0	0	0	0	0
<b><u>Total Rate Base</u></b>	<b>7,192,597</b>	<b>(1,599,950)</b>	<b>5,592,647</b>	<b>0</b>	<b>5,592,647</b>
<b><u>Operating Margin</u></b>	<b>3.36%</b>		<b>5.50%</b>		<b>16.60%</b>
<b><u>Interest For Operating Margin</u></b>	<b>314,888</b>		<b>270,718</b>		<b>270,718</b>

Audit Exhibit A-S

Kiawah Island Utility, Inc.  
Operating Experience, Rate Base, and Operating Margin - Sewer  
Test Year Ended December 31, 2000

	(1)	(2)	(3)	(4)	(5)
<b>Sewer Operations</b>	Per	Accounting	As	Proposed	Effect of
Description	Books	& Pro Forma	Adjusted	Increase	Proposed
	\$	\$	\$	\$	Increase
					\$
<b>Operating Revenues</b>					
Water	0	0 (1)	0	0 (17)	0
Sewer	989,561	55,917 (1)	1,045,478	458,993 (17)	1,504,471
Other	55,060	(41,125) (2)	13,935	0	13,935
<b>Total Operating Revenues</b>	<b>1,044,621</b>	<b>14,792</b>	<b>1,059,413</b>	<b>458,993</b>	<b>1,518,406</b>
<b>Operating Expenses</b>					
Purchased Water	0	0 (3)	0	0	0
Salaries and Benefits	309,739	(2,336) (4)	307,403	0	307,403
Depreciation and Amortization	154,787	(6,221) (5)	148,566	0	148,566
Rental	39,781	0	39,781	0	39,781
Management Fee	40,934	(26,624) (6)	14,310	0	14,310
Fuel and Electricity	62,005	0 (7)	62,005	0	62,005
Repairs and Maintenance	42,939	(13,725) (8)	29,214	0	29,214
Other Operating Expenses	197,018	(23,056) (9)	173,962	0	173,962
Taxes - Other Than Income	79,668	(484) (10)	79,184	5,144 (18)	84,328
Income Taxes	0	(4,053) (11)	(4,053)	169,249 (19)	165,196
<b>Total Operating Expenses</b>	<b>926,871</b>	<b>(76,499)</b>	<b>850,372</b>	<b>174,393</b>	<b>1,024,765</b>
<b>Net Operating Income</b>	<b>117,750</b>	<b>91,291</b>	<b>209,041</b>	<b>284,600</b>	<b>493,641</b>
Customer Growth (Exh. A-2)	3,109	2,410 (12)	5,519	7,513 (20)	13,032
<b>Net Income For Return</b>	<b>120,859</b>	<b>93,701</b>	<b>214,560</b>	<b>292,113</b>	<b>506,673</b>
<b>Rate Base</b>					
Plant In Service	6,105,813	97,081 (13)	6,202,894	0	6,202,894
Accumulated Depreciation	(1,804,616)	27,946 (14)	(1,776,670)	0	(1,776,670)
Net Plant in Service	4,301,197	125,027	4,426,224	0	4,426,224
Construction Work in Progress	0	0	0	0	0
Materials and Supplies	0	0	0	0	0
Cash Working Capital (Exh. A-3)	86,552	(12,400) (15)	74,152	0	74,152
Contributions in Aid of Constr.	0	(41,125) (16)	(41,125)	0	(41,125)
Accumulated Def. Income Taxes	0	0	0	0	0
Customers' Deposits	0	0	0	0	0
<b>Total Rate Base</b>	<b>4,387,749</b>	<b>71,502</b>	<b>4,459,251</b>	<b>0</b>	<b>4,459,251</b>
<b>Operating Margin</b>	<b>-9.90%</b>		<b>-0.12%</b>		<b>19.15%</b>
<b>Interest For Operating Margin</b>	<b>224,303</b>		<b>215,854</b>		<b>215,854</b>

Kiawah Island Utility, Inc.																	
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined																	
Test Year Ended December 31, 2000																	
Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Contr. In Aid Constr.
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	Both Staff and Company propose to annualize revenues using actual billing units and consumption during the test year. (U)																
	Per Staff - Combined	85,202															
	Per Staff - Water	29,285															
	Per Staff - Sewer	55,917															
	Per Company - Combined	85,204															
	Per Company - Water	29,285															
	Per Company - Sewer	55,919															
2	Both Staff and Company propose to remove tap fees from revenue and to remove an equal amount from expenses since the cost of the tap is equal to the tap fee. The Staff proposes to capitalize tap fees and to treat tap fees as a contribution in aid of construction. The net effect on rate base is zero (\$0). (A & U)																
	Per Staff - Combined		(83,750)						(83,750)					83,750			(83,750)
	Per Staff - Water		(42,625)						(42,625)					42,625			(42,625)
	Per Staff - Sewer		(41,125)						(41,125)					41,125			(41,125)
	Per Company - Combined		(83,750)						(83,750)					0			0
	Per Company - Water		(42,625)						(42,625)					0			0
	Per Company - Sewer		(41,125)						(41,125)					0			0
3	Both the Staff and Company propose to increase revenue and reduce expenses to remove the effects of a non-operating refund made to US Cable Company. (A & U)																
	Per Staff - Combined	500								(500)							
	Per Staff - Water	500								0							
	Per Staff - Sewer	0								(500)							
	Per Company - Combined	500								(500)							
	Per Company - Water	500								0							
	Per Company - Sewer	0								(500)							

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Fee Exp.	(7) Elec.	(8) Fuel & & Maint.	(9) Repairs Other Op. Exp.	(10) Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Contr. In Aid Constr.
4	Both the Staff and Company propose to remove revenues associated with DHEC required recoupment fees from the case. The Staff also proposes to remove DHEC fees from expenses. These fees are required to be passed on to customers as a separate line item on the utility bill. Such fees come under the jurisdiction of DHEC. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined	(7,809)								(7,776)							
	Per Staff - Water	(7,809)								(7,776)							
	Per Staff - Sewer	0								0							
	Per Company - Combined	(7,809)								0							
	Per Company - Water	(7,809)								0							
	Per Company - Sewer	0								0							
5	The Staff proposes to remove expenses which are not normally considered necessary to provide utility service. The items include a donation to a hospital, flowers, and 1/2 Chamber of Commerce Dues. (A)																
	Per Staff - Combined									(748)							
	Per Staff - Water									(437)							
	Per Staff - Sewer									(311)							
	Per Company - Combined									0							
	Per Company - Water									0							
	Per Company - Sewer									0							

Klawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
6	The Staff proposes to capitalize the engineering and related services in connection with the supplemental water supply study, the new Charleston line, and the RO option. The total amount expensed in the test year was \$39,102. Staff proposes to include depreciation expense based on a 40-year life recommended by the Utilities Department. (A & U)					978				(39,102)				39,102	(978)		
	Per Staff - Combined					571				(22,836)				22,836	(571)		
	Per Staff - Water					407				(16,266)				16,266	(407)		
	Per Staff - Sewer																
	Per Company - Combined					0				0				0	0		
	Per Company - Water					0				0				0	0		
	Per Company - Sewer					0				0				0	0		
7	The Staff proposes to normalize the test year by amortizing consulting fees over a three-year period. Staff amortized \$4,732 for an expert witness to testify before the commission concerning the aquifer storage recovery project and \$2,503 for consultation on the Cost of Service Study and Compensation analysis. The total amount of \$7,235 amortized over three years amounts to \$2,412 per year. The Staff subtracted the per book amount of \$7,235 from \$2,412 for a total adjustment of (\$4,823). (A)																
	Per Staff - Combined									(4,823)							
	Per Staff - Water									(2,817)							
	Per Staff - Sewer									(2,006)							
	Per Company - Combined									0							
	Per Company - Water									0							
	Per Company - Sewer									0							

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
8	The Staff proposes to remove availability fees collected through December 31, 1991 from rate base. Such fees are considered a contribution in aid of construction. Staff also removed the depreciation expense associated with these availability fees. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined					(33,284)											(1,512,920)
	Per Staff - Water					(33,284)											(1,512,920)
	Per Staff - Sewer					0											0
	Per Company - Combined					0											0
	Per Company - Water					0											0
	Per Company - Sewer					0											0
9	The Staff proposes to lower the management fee from \$100,000 to \$36,000 resulting in an adjustment of (\$64,000). The fee was paid to the parent company, Kiawah Resort Associates (KRA) during the test year. Staff included direct labor cost of \$35,489 and overhead cost of \$511. (A)																
	Per Staff - Combined																
	Per Staff - Water																
	Per Staff - Sewer																
	Per Company - Combined																
	Per Company - Water																
	Per Company - Sewer																



Klawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Fee Exp.	(7) Elec. & Maint.	(8) Repairs	(9) Other Op. Exp.	(10) Than Inc. Taxes	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
10	The Company proposes to adjust purchased water for annualized system flow demand using projected growth. The Company's total adjustment is \$19,599. Staff does not propose this adjustment. Staff computed customer growth based on net operating income. See Audit Exhibit A-2. (U & A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined			0													
	Per Staff - Water			0													
	Per Staff - Sewer			0													
	Per Company - Combined			19,599													
	Per Company - Water			19,599													
	Per Company - Sewer			0													
11	The Company proposes to adjust purchased power and chemical costs to reflect annualized system flows. Staff does not propose this adjustment. Staff computed customer growth based on net operating income. See Audit Exhibit A-2. (U & A)																
	Per Staff - Combined							0									
	Per Staff - Water							0									
	Per Staff - Sewer							0									
	Per Company - Combined						356	15									
	Per Company - Water						279	7									
	Per Company - Sewer						77	8									

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Contr. In Aid Constr.
12	Both the Staff and Company propose to annualize labor cost and reflect the annual wage increase. Staff used the latest available wage information in its adjustment, which includes a new employee. The Company's adjustment included one retired employee and one terminated employee. The Company also adjusts for the new employee. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined				(3,177)												
	Per Staff - Water				(1,112)												
	Per Staff - Sewer				(2,065)												
	Per Company - Combined				50,774												
	Per Company - Water				17,771												
	Per Company - Sewer				33,003												
13	Both the Staff and Company propose to adjust for labor associated cost relative to the labor increase, which include FICA, pension, health and life insurance, other benefits, and worker's compensation. (A)																
	Per Staff - Combined				(417)											(243)	
	Per Staff - Water				(146)											(85)	
	Per Staff - Sewer				(271)											(158)	
	Per Company - Combined				6,638											3,765	
	Per Company - Water				2,323											1,318	
	Per Company - Sewer				4,315											2,447	

Klawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant In Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
14	The Staff proposes to exclude a portion of the Ocean Course Drive Extension in compliance with Commission Order No. 92-1030. Staff's adjustment computes growth for three years between rate cases. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined					(4,683)								(210,574)	65,232		
	Per Staff - Water					(2,735)								(122,975)	38,095		
	Per Staff - Sewer					(1,948)								(87,599)	27,137		
	Per Company - Combined					0								0	0		
	Per Company - Water					0								0	0		
	Per Company - Sewer					0								0	0		
15	The Staff and Company propose to record the amortization of extraordinary repair and maintenance costs for the test year. These amortizations were established in Dockets No. 96-138 and 98-328 and include such expenses as refurbishment of well pump, supply line repair, tank painting, and sludge removal. The total amortization for the test year is \$53,635. The Company also proposes to include the unamortized balance for these deferred expenses in rate base. Staff does not include deferred charges in rate base. (A)																
	Per Staff - Combined								53,635								
	Per Staff - Water								26,235								
	Per Staff - Sewer								27,400								
	Per Company - Combined								66,357					147,242			
	Per Company - Water								27,429					93,528			
	Per Company - Sewer								38,928					53,714			

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. Amort.	(6) Man. Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
16	The staff proposes to normalize the test year by amortizing legal expenses for KPOG's appeal and the appeal of the 1998 rate case over a 3-year period. Staff also proposes to amortize legal expenses for the KIU loan modification over the life of the loan. The loan matures March 3, 2005 and staff amortized the expenses over 5 years. The total adjustment reduced expenses by \$10,538. (A)																
	Per Staff - Combined									(10,538)							
	Per Staff - Water									(6,154)							
	Per Staff - Sewer									(4,384)							
	Per Company - Combined									0							
	Per Company - Water									0							
	Per Company - Sewer									0							
17	Both Staff and Company propose to amortize current rate case expenses over three (3) years. The Staff used actual rate case expenses of \$62,027 amortized over three years for a total adjustment of \$20,676. The Company included estimated rate case expenses in its adjustment. The Company also proposes to include the unamortized balance of rate case expenses in rate base. The staff does not include deferred charges in rate base. (A)																
	Per Staff - Combined									20,676						0	
	Per Staff - Water									12,075						0	
	Per Staff - Sewer									8,601						0	
	Per Company - Combined									33,334						83,334	
	Per Company - Water									16,667						41,667	
	Per Company - Sewer									16,667						41,667	

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Fee Exp.	(7) Elec.	(8) Repairs & Maint.	(9) Other Op. Exp.	(10) Taxes Oth. Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Constr. In Aid Constr.
18	The Staff proposes to normalize the test year by amortizing bad debts over the two year period in which the debts were incurred. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined									(4,221)							
	Per Staff - Water									(2,465)							
	Per Staff - Sewer									(1,756)							
	Per Company - Combined									0							
	Per Company - Water									0							
	Per Company - Sewer									0							
19	The Staff proposes to normalize the test year by amortizing the expenses associated with becoming Y2K compliant. The total cost amounts to \$18,721 amortized over five years for the test year allowed expense of \$3,744. Staff reduced expenses by (\$14,977) to reflect this adjustment. (A)									(14,977)							
	Per Staff - Combined									(8,747)							
	Per Staff - Water									(6,230)							
	Per Staff - Sewer									0							
	Per Company - Combined									0							
	Per Company - Water									0							
	Per Company - Sewer									0							
20	Both the Staff and the Company propose to annualize depreciation expense based on plant in service at December 31, 2000. (A & U)																
	Per Staff - Combined					5,378											(5,378)
	Per Staff - Water					9,556											(9,556)
	Per Staff - Sewer					(4,178)											4,178
	Per Company - Combined					61,682											(461,349)
	Per Company - Water					41,254											(288,740)
	Per Company - Sewer					20,428											(172,609)

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec. & Maint.	(8) Repairs	(9) Other Op. Exp.	(10) Than Inc.	(11) Income Taxes	(12) Cust. Growth	(13) Plant in Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Contr. In Aid Constr.
21	Both the Staff and Company propose to remove loan renewal fees of (\$8,326) from operating expenses. Staff reduces the loan proceeds by the total prepaid loan renewal fees of \$41,606 when computing the cost of debt. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined					(8,326)											
	Per Staff - Water					(4,862)											
	Per Staff - Sewer					(3,464)											
	Per Company - Combined					(8,326)											
	Per Company - Water					(4,862)											
	Per Company - Sewer					(3,464)											
22	The Staff proposes to compute income taxes as adjusted. Staff proposes to deduct synchronized interest expense in computing such taxes. (A)																
	Per Staff - Combined											84,999					
	Per Staff - Water											89,052					
	Per Staff - Sewer											(4,053)					
	Per Company - Combined											0					
	Per Company - Water											0					
	Per Company - Sewer											0					
23	Both the Staff and the Company propose to increase rate base for plant additions made after the end of the test year. The adjustment includes annualizing depreciation expenses for such plant additions. (A & U)																
	Per Staff - Combined					3,134								129,006	(3,134)		
	Per Staff - Water					172								1,717	(172)		
	Per Staff - Sewer					2,962								127,289	(2,962)		
	Per Company - Combined					0								160,000	0		
	Per Company - Water					0								11,000	0		
	Per Company - Sewer					0								149,000	0		

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Item #	Water/Sewer Revenues	Other Revenues	Purch. Water	Salaries & Ben.	Deprec. Amort.	Fee Exp.	Fuel & Elec.	Repairs & Maint.	Other Op. Exp.	Taxes Otn. Than Inc.	Income Taxes	Cust. Growth	Plant in Service	Accum. Deprec.	Cash Wkg. Capital	Constr. In Aid Constr.
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
24 The Staff proposes to adjust cash working capital for items that correct the books. The Company proposes to adjust CWC using pro forma adjustments. (A)  Per Staff - Combined Per Staff - Water Per Staff - Sewer  Per Company - Combined Per Company - Water Per Company - Sewer															(28,804) (16,404) (12,400)  (796) (331) (465)	
25 The Staff proposes to adjust Customer Growth based on as adjusted net operating income. The Staff updated customer growth to February 2002 because of adjustments made and wage increases outside the test year. The Company proposes to adjust Customer Growth by computing the growth in number of bills times the average bill. (A)  Per Staff - Combined Per Staff - Water Per Staff - Sewer  Per Company - Combined Per Company - Water Per Company - Sewer												2,700 290 2,410  0 0 0				
26 Both Staff and Company propose to true-up per book gross receipts taxes. (A)  Per Staff - Combined Per Staff - Water Per Staff - Sewer  Per Company - Combined Per Company - Water Per Company - Sewer										(1,206) (880) (326)  44,144 32,212 11,932						

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Description	(1) Water/Sewer Revenues	(2) Other Revenues	(3) Purch. Water	(4) Salaries & Ben.	(5) Deprec. & Amort.	(6) Man. Fee Exp.	(7) Elec. & Maint.	(8) Fuel & Repairs	(9) Other Op. Than Inc.	(10) Taxes Oth.	(11) Income Taxes	(12) Cust. Growth	(13) Plant In Service	(14) Accum. Deprec.	(15) Cash Wkg. Capital	(16) Contr. In Aid Constr.
27	The Staff proposes to eliminate legal fees associated with the Eugenia Avenue sewer main extension from the case. (A)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Per Staff - Combined																
	Per Staff - Water																
	Per Staff - Sewer																
	Per Company - Combined																
	Per Company - Water																
	Per Company - Sewer																

Total Accounting and Pro Forma Adjustments

Per Staff - Combined	85,702	(91,559)	0	(3,594)	(36,803)	(64,000)	0	(30,115)	(62,213)	(1,449)	84,999	2,700	41,284	55,742	(28,804)	(1,596,670)
Per Staff - Water	29,785	(50,434)	0	(1,258)	(30,582)	(37,376)	0	(16,390)	(39,157)	(965)	89,052	290	(55,797)	27,796	(16,404)	(1,555,545)
Per Staff - Sewer	55,917	(41,125)	0	(2,336)	(6,221)	(26,624)	0	(13,725)	(23,056)	(484)	(4,053)	2,410	97,081	27,946	(12,400)	(41,125)
Per Company - Combined	89,423	(91,559)	19,599	57,412	53,356	0	356	(17,393)	32,849	47,909	0	0	390,576	(461,349)	(796)	0
Per Company - Water	32,547	(50,434)	19,599	20,094	36,392	0	279	(15,196)	16,674	33,530	0	0	146,195	(288,740)	(331)	0
Per Company - Sewer	56,876	(41,125)	0	37,318	16,964	0	77	(2,197)	16,175	14,379	0	0	244,381	(172,609)	(465)	0

20

A - Adjustment sponsored by the Audit Department

U - Adjustment sponsored by the Utilities Department



Kiaawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Proposed Increase Description	(17) Water/Sewer Revenues	(18) Taxes Than Inc.	(19) Income Taxes	(20) Customer Growth
		\$	\$	\$	\$
28	Both the Staff and the Company propose to recognize the effects of the proposed increase in revenues. (U)				
	Per Staff - Combined	1,139,180			
	Per Staff - Water	680,187			
	Per Staff - Sewer	458,993			
	Per Company - Combined	1,102,376			
	Per Company - Water	656,781			
	Per Company - Sewer	445,595			
29	Both the Staff and the Company propose to include gross receipts taxes on the proposed increase. (A)				
	Per Staff - Combined		12,767		
	Per Staff - Water		7,623		
	Per Staff - Sewer		5,144		
	Per Company - Combined		12,405		
	Per Company - Water		7,391		
	Per Company - Sewer		5,014		
30	The Staff and the Company propose to compute income taxes on the proposed increase. Both the Staff and the Company propose to deduct synchronized interest expense in computing such taxes. (A)				
	Per Staff - Combined			419,032	
	Per Staff - Water			249,783	
	Per Staff - Sewer			169,249	
	Per Company - Combined			321,395	
	Per Company - Water			197,069	
	Per Company - Sewer			124,326	

Kiawah Island Utility, Inc.  
Explanation of Accounting and Pro Forma Adjustments - Water, Sewer, Combined  
Test Year Ended December 31, 2000

Item #	Proposed Increase Description	(17) Water/Sewer Revenues	(18) Taxes Than Inc.	(19) Other Income Taxes	(20) Customer Growth
		\$	\$	\$	\$
31	The Staff proposes to increase customer growth for the effect of the proposed increase. (A & U)				
	Per Staff - Combined				15,165
	Per Staff - Water				7,652
	Per Staff - Sewer				7,513
	Per Company - Combined				0
	Per Company - Water				0
	Per Company - Sewer				0
<u>Total Proposed Increase Adjustments</u>					
	Per Staff - Combined	1,139,180	12,767	419,032	15,165
	Per Staff - Water	680,187	7,623	249,783	7,652
	Per Staff - Sewer	458,993	5,144	169,249	7,513
	Per Company - Combined	1,102,376	12,405	321,395	0
	Per Company - Water	656,781	7,391	197,069	0
	Per Company - Sewer	445,595	5,014	124,326	0

Kiawah Island Utility, Inc.  
Computation of Customer Growth  
Test Year Ended December 31, 2000

	(1) Growth Factor %	(2) Net Operating Income \$	(3) Customer Growth \$
<b><u>COMBINED OPERATIONS</u></b>			
Per Books	Note 1	522,134	10,428
Accounting & Pro Forma Adjustments	Note 1	107,318	2,700
As Adjusted	Note 1	629,452	13,128
Effect of Proposed Increase	Note 1	707,381	15,165
Total After Increase	Note 1	1,336,833	28,293
<b><u>WATER OPERATIONS</u></b>			
Per Books	1.81%	404,384	7,319
Accounting & Pro Forma Adjustments	1.81%	16,027	290
As Adjusted	1.81%	420,411	7,609
Effect of Proposed Increase	1.81%	422,781	7,652
Total After Increase	1.81%	843,192	15,261
<b><u>SEWER OPERATIONS</u></b>			
Per Books	2.64%	117,750	3,109
Accounting & Pro Forma Adjustments	2.64%	91,291	2,410
As Adjusted	2.64%	209,041	5,519
Effect of Proposed Increase	2.64%	284,600	7,513
Total After Increase	2.64%	493,641	13,032

Computation of Growth Factors Formula:

$$\frac{\text{Year End Customers} - \text{Average Customers}}{\text{Average Customers}}$$

Water Operations:

$$\frac{3,200 - 3,143}{3,143} = 1.81\%$$

Customers *	
Water:	
12/31/1999	3,086
02/02/2002	3,200
Total	6,286
Average	3,143

Sewer Operations:

$$\frac{2,838 - 2,765}{2,765} = 2.64\%$$

Sewer:	
12/31/1999	2,691
02/02/2002	2,838
Total	5,529
Average	2,765

Note 1: Combined Customer Growth Equals Water Customer Growth Plus Sewer Customer Growth.

\* Customer Growth Updated to February 2002

Kiawah Island Utility, Inc.  
 Computation of Cash Working Capital  
 Test Year Ended December 31, 2000

	(1) Per Books \$	(2) Correcting Adjustments \$	(3) Per Books Corrected \$
<b><u>Combined Operations</u></b>			
Purchased Water	1,613,441	0	1,613,441
Salaries and Benefits	476,521	0	476,521
Rental	95,629	0	95,629
Management Fee	100,000	(64,000)	36,000
Fuel and Electricity	139,294	0	139,294
Repairs and Maintenance	78,151	(83,750)	(5,599)
Other Operating Expenses	319,254	(82,685)	236,569
<u>Total</u>	<u>2,822,290</u>	<u>(230,435)</u>	<u>2,591,855</u>
Rate	12.5%	12.5%	12.5%
Cash Working Capital Allowance	<u>352,786</u>	<u>(28,804)</u>	<u>323,982</u>
<b><u>Water Operations</u></b>			
Purchased Water	1,613,441	0	1,613,441
Salaries and Benefits	166,782	0	166,782
Rental	55,848	0	55,848
Management Fee	59,066	(37,376)	21,690
Fuel and Electricity	77,289	0	77,289
Repairs and Maintenance	35,212	(42,625)	(7,413)
Other Operating Expenses	122,236	(51,232)	71,004
<u>Total</u>	<u>2,129,874</u>	<u>(131,233)</u>	<u>1,998,641</u>
Rate	12.5%	12.5%	12.5%
Cash Working Capital Allowance	<u>266,234</u>	<u>(16,404)</u>	<u>249,830</u>
<b><u>Sewer Operations</u></b>			
Purchased Water	0	0	0
Salaries and Benefits	309,739	0	309,739
Rental	39,781	0	39,781
Management Fee	40,934	(26,624)	14,310
Fuel and Electricity	62,005	0	62,005
Repairs and Maintenance	42,939	(41,125)	1,814
Other Operating Expenses	197,018	(31,453)	165,565
<u>Total</u>	<u>692,416</u>	<u>(99,202)</u>	<u>593,214</u>
Rate	12.5%	12.5%	12.5%
Cash Working Capital Allowance	<u>86,552</u>	<u>(12,400)</u>	<u>74,152</u>

Kiawah Island Utility, Inc.  
Reconciliation of Net Income for Return  
Test Year Ended December 31, 2000

<b><u>Combined Operations</u></b>	(1) Per Books \$	(2) As Adjusted \$	(3) After Proposed Increase \$
<b><u>Income for Return Per Company</u></b>			
<b><u>Application</u></b>	522,134	325,911	1,094,487
<b>Additions and Subtractions:</b>			
Water/Sewer Revenues - Staff		85,702	
Water/Sewer Revenues - Company		(89,423)	
Customer Growth - Staff	10,428	13,128	
Customer Growth - Company		0	
Purchased Water Adjustment - Staff		0	
Purchased Water Adjustment - Company		19,599	
Salaries & Benefits - Staff		3,594	
Salaries & Benefits - Company		57,412	
Depreciation - Staff		36,803	
Depreciation - Company		53,356	
Management Fee - Staff		64,000	
Management Fee - Company		0	
Fuel & Electricity - Staff		0	
Fuel & Electricity - Company		356	
Repairs & Maintenance - Staff		30,115	
Repairs & Maintenance - Company		(17,393)	
Other - Staff		62,213	
Other - Company		32,849	
Taxes Other Than Income - Staff		1,449	
Taxes Other Than Income - Company		47,909	
Income Taxes -Staff		(84,999)	
Income Taxes - Company		0	
Rounding		(1)	
<b><u>Net Additions and Subtractions- Per Books and As Adjusted</u></b>	10,428	316,669	316,669
<b>Proposed Increase Adjustments:</b>			
Proposed Increase - Staff			1,139,180
Proposed Increase - Company			(1,102,376)
Taxes Other Than Income - Staff			(12,767)
Taxes Other Than Income - Company			12,405
Income Taxes -Staff			(419,032)
Income Taxes - Company			321,395
Growth on Proposed Increase - Staff			15,166
Rounding			(1)
<b>Net Proposed Increase Adjustments</b>			<b>(46,030)</b>
<b><u>Net Income For Return Per Staff Exhibit A - Combined Operations</u></b>	532,562	642,580	1,365,126

Kiawah Island Utility, Inc.  
Reconciliation of Rate Base  
Test Year Ended December 31, 2000

	(1) Per Books \$	(2) As Adjusted \$	(3) After Proposed Increase \$
<b><u>Combined Operations</u></b>			
Rate Base - Per Company	11,580,283	11,508,713	11,508,713
Additions and Subtractions:			
Cash Working Capital Calculation - Staff	352,786	352,786	352,786
Cash Working Capital Calculation - Company	(352,723)	(352,723)	(352,723)
Plant In Service - Staff		41,284	41,284
Plant In Service - Company		(390,576)	(390,576)
Accumulated Depreciation - Staff		55,742	55,742
Accumulated Depreciation - Company		461,349	461,349
Cash Working Capital Adjustment - Staff		(28,804)	(28,804)
Cash Working Capital Adjustment - Company		796	796
Contributions In Aid of Construction Adjustment - Staff		(1,596,670)	(1,596,670)
Rounding		1	1
Rate Base Per Staff Exhibit A - Staff	11,580,346	10,051,898	10,051,898

Audit Exhibit A-6

Kiawah Island Utility, Inc.  
Return on Common Equity  
Test Year Ended December 31, 2000

	AS ADJUSTED					AFTER INCREASE				
	(1) (Note 1) Capital Structure \$	(2) Ratio %	(3) Rate Base \$	(4) Embedded Cost/ Return %	(5) Overall Cost/ Return %	(6) Income For Return \$	(7) Rate Base \$	(8) Embedded Cost/ Return %	(9) Overall Cost/ Return %	(10) Income For Return \$
Combined										
Description										
Long Term Debt	6,980,723	59.54%	5,984,900	8.13%	4.84%	486,572	5,984,900	8.13%	4.84%	486,572
Common Equity	4,744,529	40.46%	4,066,998	3.84%	1.55%	156,008	4,066,998	21.60%	8.74%	878,554
Total	11,725,252	100.00%	10,051,898		6.39%	642,580	10,051,898		13.58%	1,365,126
Water										
Long Term Debt	6,980,723	59.54%	3,329,862	8.13%	4.84%	270,718	3,329,862	8.13%	4.84%	270,718
Common Equity	4,744,529	40.46%	2,262,785	6.95%	2.81%	157,302	2,262,785	25.97%	10.51%	587,735
Total	11,725,252	100.00%	5,592,647		7.65%	428,020	5,592,647		15.35%	858,453
Sewer										
Long Term Debt	6,980,723	59.54%	2,655,038	8.13%	4.84%	215,854	2,655,038	8.13%	4.84%	215,854
Common Equity	4,744,529	40.46%	1,804,213	-0.07%	-0.03%	(1,294)	1,804,213	16.12%	6.52%	290,819
Total	11,725,252	100.00%	4,459,251		4.81%	214,560	4,459,251		11.36%	506,673

Note 1: Capital Structure as of December 31, 2001.

Kiawah Island Utility, Inc.  
 Alternate Revenue Requirements  
 Test Year Ended December 31, 2000

	Operating Margin	Revenue Increases Required *
	%	\$
Operating Margin - As Adjusted	3.98%	- 0 -
Operating Margin @ 5.00%	5.00%	68,500
Operating Margin @ 10.00%	10.00%	442,250
Operating Margin @ 15.00%	15.00%	892,950
Operating Margin - Full Increase	17.37%	1,139,180

\* Staff used a combined water and sewer growth factor in developing these revenue requirements.



Kiawah Island Utility, Inc.  
Income Statement  
Test Year Ended December 31, 2000

<b><u>Operating Revenue</u></b>	\$
Water	2,894,415
Sewer	1,030,686
<b><u>TOTAL OPERATING REVENUE</u></b>	<u>3,925,101</u>
 <b><u>Operating Expenses</u></b>	
Purchased Water	1,613,441
Interest Expense	539,191
Salaries, Benefits and Taxes	476,521
Depreciation and Amortization	407,136
Rental	95,629
Taxes Other Than Income Tax	141,598
Management Fees	100,000
Fuel and Electricity	139,294
Repairs and Maintenance	78,151
Other Operating Expenses	351,197
<b><u>TOTAL OPERATING EXPENSES</u></b>	<u>3,942,158</u>
 <b>INCOME (LOSS) BEFORE INTEREST INCOME</b>	(17,057)
Interest Income	32,577
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<u>15,520</u>
INCOME TAXES	0
<b>NET INCOME (LOSS)</b>	<u><u>15,520</u></u>

Kiawah Island Utility, Inc.  
Income Statement  
Test Year Ended December 31, 2000

<b><u>Operating Revenue</u></b>	\$
Water	2,894,415
Sewer	1,030,686
<b><u>TOTAL OPERATING REVENUE</u></b>	<u>3,925,101</u>
 <b><u>Operating Expenses</u></b>	
Purchased Water	1,613,441
Interest Expense	539,191
Salaries, Benefits and Taxes	476,521
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Taxes Other Than Income Tax	141,598
Management Fees	100,000
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<b><u>TOTAL OPERATING EXPENSES</u></b>	<u>3,942,158</u>
 <b>INCOME (LOSS) BEFORE INTEREST INCOME</b>	(17,057)
Interest Income	32,577
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<u>15,520</u>
INCOME TAXES	0
<b>NET INCOME (LOSS)</b>	<u><u>15,520</u></u>

**REPORT OF THE  
UTILITIES DEPARTMENT  
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**KIAWAH ISLAND UTILITY, INC.**

**DOCKET NO. 2001-164-W/S**

**REPORT OF THE  
UTILITIES DEPARTMENT  
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**KIAWAH ISLAND UTILITY, INC.**

**DOCKET NO. 2001-164-W/S**

**DOCKET NO. 2001-164-W/S//UTILITIES DEPT// EXHIBIT NO. 1**

**PRESENT AND PROPOSED RATES**

Kiawah Island Utility, Inc. is operating under rates and charges approved on March 31, 1999 by Commission Order No. 1999-216 in Docket No. 98-328-W/S

The following pages (2-8) are the currently approved rates and charges and pages 9-19 are the proposed rates and charges.

The Schedule of Proposed Rates and Charges set forth some particular adjustments proposed by the Company.

- (1) The base facility charge for potable water for residential customers would no longer cover 2,000 gallons per month of consumption. All potable water consumed would be subject to the consumption charges.
- (2) The basic facilities charges for the three sources of irrigation for the five golf courses would be established on a per course basis.
- (3) The proposed rates and charges include a new category of service, Standby Customers. These are golf course customers who may have another source of water and may not need the Utility to supply its needs on a continuous basis. The standby charge would allow the golf course to effectively reserve a certain volume of capacity from the Utility.
- (4) The Utility is requesting that the Commission grant it a pass through increase for increases in the cost of wholesale potable water charged by its sole supplier, St. Johns Water Company. Additionally, the Utility would be able to pass through increases in the operation and maintenance expense charged by St. Johns to the Utility. The Utility would have to provide advance notice of the increase to the Commission which could prevent implementation of the increase if it found any irregularities.
- (5) The Utility has proposed slight modifications to the wording of the miscellaneous charges provisions of the Schedule.

# UTILITIES DEPARTMENT REPORT

## KIAWAH ISLAND UTILITY, INC.

DOCKET NO. 2001-164-W/S

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## Appendix A

**KIAWAH ISLAND UTILITY, INC.**  
**31 Sora Trail Rd.**  
**Johns Island, SC 29445**  
**(843) 768-0641**

**FILED PURSUANT TO DOCKET NO. 98-328-W/S -- ORDER NO. 1999-216**  
**EFFECTIVE DATE: MARCH 31, 1999**

### SCHEDULE OF RATES AND CHARGES

#### RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable to any residential customer for any purpose.

#### Water Service Charges

A.	Minimum Bill 0-2,000 gal./mo.	
	5/8" meter	\$ 22.40/mo.
	3/4" meter	\$ 33.60/mo.
	1" meter	\$ 56.00/mo.
	1 1/2" meter	\$112.00/mo.
	2" meter	\$179.20/mo.
	3" meter	\$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) x \$22.40 per mo.  
20 gpm.

B.	Consumption Charge	\$ 2.10/1000 gal.
	All over 2,000 gal./mo. and up to 11,000 gal./mo.	
C.	Excess Consumption Charge #1	\$ 2.20/1000 gal.
	All over 11,000 gal./mo. and up to 50,000 gal./mo.	
D.	Excess Consumption Charge #2	\$ 2.41/1000 gal.
	All over 50,000 gal./mo.	

### Sewer Service Charges

A.	Basic Facilities Charge	
	5/8" water meter	\$ 18.00/mo.
	3/4" water meter	\$ 27.00/mo.
	1" water meter	\$ 45.00/mo.
	1 1/2" water meter	\$ 90.00/mo.
	2" water meter	\$144.00/mo.
	3" water meter	\$315.00/mo.

Basic Facilities Charge for sewer service where water service is through meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$18.00 \text{ per mo.}}{20 \text{ gpm}}$$

B.	Consumption Charge Based on Water Usage	\$ .47/1000 gal.
	All up to 11,000 gal./mo.	

#### Tap-in Fees

Water tap-in fee	\$500.00
Sewer tap-in fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, Company will apply the tap-in fee schedule for larger meters as listed in the Commercial Service Schedule No. 2.

### RATE SCHEDULE NO. 2 COMMERCIAL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Available to any Commercial or Master Metered Residential Customer for any purpose except Hotel or Motel use (see Rate Schedule No. 3).

#### Water Service Charges

A.	Basic Facilities Charge	
	5/8" meter	\$ 22.40/mo.
	3/4" meter	\$ 33.60/mo.
	1" meter	\$ 56.00/mo.
	1 1/2" meter	\$112.00/mo.
	2" meter	\$179.20/mo.
	3" meter	\$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$22.40 \text{ per mo.}}{20 \text{ gpm}}$$

B.	Consumption Charge	\$2.41/1,000 gal. for all consumption
----	--------------------	--



### Sewer Service Charges

A.	Basic Facilities Charge	
	5/8" meter	\$ 18.00/mo.
	3/4" meter	\$ 27.00/mo.
	1" meter	\$ 45.00/mo.
	1 1/2" meter	\$ 90.00/mo.
	2" meter	\$144.00/mo.
	3" meter	\$315.00/mo

Basic Facilities Charge for sewer service where water service is through meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$18.00 \text{ per mo.}}{20 \text{ gpm}}$$

B.	Consumption Charge	\$1.80/1000 gal. for all consumption
----	--------------------	---

#### Tap-in Fees

		<u>Water Tap-in Fee</u>	<u>Sewer Tap-in Fee</u>
5/8 "	meter	\$ 500.00	\$ 500.00
3/4"	meter	\$ 750.00	\$ 750.00
1"	meter	\$1,250.00	\$1,250.00
1 1/2 "	meter	\$2,500.00	\$2,500.00
2"	meter	\$4,000.00	\$4,000.00
3"	meter	\$8,750.00	\$8,750.00

Water Tap-in Fee and Sewer Tap-in Fee for water and sewer service where the water meter is larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$500.00}{20 \text{ gpm}}$$

### RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

AVAILABILITY -- Available within the Company's service area.

APPLICABILITY -- Applicable to all hotel and motel customers for any purpose.

### Water Service Charges

Basic Facilities Charge	\$9.00/mo./room
All Consumption	\$2.41/1000 gal.

### Sewer Service Charges

Basic Facilities Charge	\$ 7.20/mo./room
All Consumption	\$1.80/1000 gal

#### Tap-in Fees

Water Tap-in Fee	\$220/room
Sewer Tap-in Fee	\$220/room

### RATE SCHEDULE NO. 4 IRRIGATION SERVICE

AVAILABILITY -- Available within the Company's service area. The Company reserves the right to limit or reduce irrigation service available when, in its sole judgment, its water system conditions require such restrictions.

APPLICABILITY -- Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

### Water Service Charges

A.	Basic Facilities Charge	
	5/8" meter	\$ 22.40/mo.
	3/4" meter	\$ 33.60/mo.
	1" meter	\$ 56.00/mo.
	1 1/2" meter	\$112.00/mo.
	2" meter	\$179.20/mo.
	3" meter	\$392.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$22.40 \text{ per mo.}}{20\text{gpm}}$$

B.	Consumption Charge	\$ 2.20/1000 gal.
	All up to 50,000 gal./mo.	
C.	Excess Consumption Charge	\$ 2.41/1000 gal.
	All over 50,000 gal./mo.	

#### Tap-in Fees

5/8" meter	\$ 500.00
3/4" meter	\$ 750.00
1" meter	\$1,250.00
1 1/2" meter	\$2,500.00
2" meter	\$4,000.00
3" meter	\$8,750.00

Water Tap-in Fee where the water meter is larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$500.00}{20 \text{ gpm}}$$

### **RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE**

**AVAILABILITY** -- Available within the Company's service area.

**APPLICABILITY** -- Applicable to fire hydrants connected to Company water mains.

#### **Water Service Charges**

\$100.00 per hydrant per year payable semiannually in advance for fire fighting service.

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:

\$8.00 for each day of use, PLUS \$2.41/1000 gals. for ALL water used, PLUS a \$50 security deposit.

### **RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION**

**AVAILABILITY** -- Available within the Company's service area.

**APPLICABILITY** -- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

#### **Water Service Charges**

A. Effluent water will be billed at the rate of:

Basic Facilities Charge	\$14,944.00/mo.
Consumption	\$.13/1000 gal.

B. Deep well water will be billed at the rate of:

Basic Facilities Charge	\$3,480.00/mo.
Consumption	\$.18/1000 gal.

C. Potable water will be billed at the rate of:

Basic Facilities Charge	\$2,663.00/mo.
Consumption	\$2.41/1000 gal.

## RATE SCHEDULE NO. 7 FIRE LINE SERVICE

AVAILABILITY-- Available within the Company's service area.

APPLICABILITY -- Applicable for private fire lines.

### Water Service Charges

#### Basic Facilities Charge

2" line	\$ 6.00/mo.
3" line	\$11.00/mo.
4" line	\$19.00/mo.
6" line	\$38.00/mo.

#### Tap-in Fees

2" line	\$4,000.00
3" line	\$8,750.00

Water Tap-in Fee where the service is larger than 3" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.

**CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION  
AND OTHER MISCELLANEOUS SERVICE CHARGES**

1. When a customer requests temporary discontinuance of service for the apparent purpose of eliminating the minimum bill, during such cut-off period the Company may make a charge equivalent to a three months minimum bill for both water and sewer service and require payment of such charge before service is restored.
2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$25.00 for water and \$100.00 for sewer before service is restored.
4. Whenever service has been disconnected for reasons other than set forth in (3) above, the Company shall have the right to charge a \$25.00 reconnection fee to restore service after 4:30 p.m. Monday-Friday or Saturday/Sunday.
5. Delinquent Notification Fee - \$10.00. A fee of \$10.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service.
7. Return Check Charge (NSF) - \$20.00.
8. Backflow Monitoring - \$0.20 per month. A fee of \$0.20 per month shall be charged each customer to reimburse the Company for Backflow Monitoring required by DHEC regulations.
9. DHEC Charges. If the South Carolina Department of Health & Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified as a separate billed item and included in the total of the service billing.

**KIAWAH ISLAND UTILITY, INC.**

31 Sora Rail Road  
 Johns Island, S.C. 29455  
 (843) 768-0641

**SCHEDULE OF PROPOSED RATES AND CHARGES****RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE****AVAILABILITY**

- Available within the Company's service area.

**APPLICABILITY**

- Applicable to any residential customer for any purpose.

**Water Service Charges**

A.	Base Facilities Charge	
	5/8" meter	\$27.80 / mo.
	3/4" meter	\$41.70 / mo.
	1" meter	\$69.50 / mo.
	1 1/2" meter	\$139.00 / mo.
	2" meter	\$222.40 / mo.
	3" meter	\$486.50 / mo.
	4" meter	\$1,396.21 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:

Maximum recommended meter capacity (gpm) x \$27.80 per mo.  
 20 gpm

B.	Consumption Charge	
	All up to 11,000 gals./mo.	\$2.44 /1000 gal.
C.	Excess Consumption Charge #1	\$2.56 /1000 gal.
	All over 11,000 gal./mo. and up to 50,000 gal./ mo.	
D.	Excess Consumption Charge #1	\$2.80 /1000 gal.
	All over 50,000 gal./mo.	

**Sewer Service Charges**

A.	Base Facilities Charge	
	5/8" water meter	\$25.95 / mo.
	3/4" water meter	\$38.93 / mo.
	1" water meter	\$64.88 / mo.
	1 1/2" water meter	\$129.75 / mo.
	2" water meter	\$207.60 / mo.
	3" water meter	\$454.13 / mo.
	4" water meter	\$1,297.50 / mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:

Maximum recommended meter capacity (gpm) x \$25.95 per mo.  
 20 gpm

B.	Consumption Charge based on Water Usage	
	All up to 11,000 gals./mo.	\$0.68 /1000 gal.

**Tap-In Fees**

Water Tap-In Fee	\$500.00
Sewer Tap-In Fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, the Company will apply the tap-in schedule for larger meters as listed in the Commercial Service Schedule No. 2.

### RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

<u>AVAILABILITY</u>	- Available within the Company's service area.
<u>APPLICABILITY</u>	- Applicable to all hotel and motel customers for any purpose.

#### Water Service Charges

Base Facilities Charge	\$11.17	/mo./room
All Consumption	\$2.80	/1000 gal.

#### Sewer Service Charges

Base Facilities Charge	\$10.38	/mo./room
All Consumption	\$2.60	/1000 gal.

#### Tap-In Fees

Water Tap-In Fee	\$220.00	/room
Sewer Tap-In Fee	\$220.00	/room

### RATE SCHEDULE NO. 4 IRRIGATION SERVICE

<u>AVAILABILITY</u>	- Available within the Company's service area. The Company reserves the right to limit or reduce the irrigation service available when, in its sole judgment, its water system conditions require such restrictions.
<u>APPLICABILITY</u>	- Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

#### Water Service Charges

A.	Base Facilities Charge	
	5/8" meter	\$27.80 / mo.
	3/4" meter	\$41.70 / mo.
	1" meter	\$69.50 / mo.
	1 1/2" meter	\$139.00 / mo.
	2" meter	\$222.40 / mo.
	3" meter	\$486.50 / mo.
	4" meter	\$1,396.21 / mo.

Base Facilities Charge for water service with meters larger than 4" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$27.80 \text{ per mo.}}{20 \text{ gpm}}$$

B.	Consumption Charge	
	All up to 50,000 gals./mo.	\$2.56 /1000 gal.
C.	Excess Consumption Charge	\$2.80 /1000 gal.
	All over 50,000 gal./mo.	

#### Tap-In Fees

5/8" meter	\$500.00
3/4" meter	\$750.00
1" meter	\$1,250.00
1 1/2" meter	\$2,500.00
2" meter	\$4,000.00
3" meter	\$8,750.00

Water tap-in fee where the water meter is larger than 3" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm)} \times \$500.00}{20 \text{ gpm}}$$

### RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE

- AVAILABILITY - Available within the Company's service area.  
APPLICABILITY - Applicable to fire hydrants connected to Company water mains.

#### Water Service Charges

\$100 per hydrant per year payable semiannually in advance for fire fighting service.

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:

\$8.00 for each day of use, PLUS \$2.80/1000 gals for ALL water used, PLUS a \$50 security deposit.

### RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION

- AVAILABILITY - Available within the Company's service area.  
APPLICABILITY - Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

#### Water Service Charges

- |    |  |                   |
|----|--|-------------------|
| A. | Effluent water will be billed at a rate of:  |                   |
|    | Base Facilities Charge per Golf Course       | \$4,308.85 / mo.  |
|    | Consumption                                  | \$0.19 /1000 gal. |
| B. | Deep well water will be billed at a rate of: |                   |
|    | Base Facilities Charge per Golf Course       | \$863.79 / mo.    |
|    | Consumption:                                 | \$0.21 /1000 gal. |
| C. | Potable water will be billed at a rate of:   |                   |
|    | Base Facilities Charge per Golf Course       | \$660.99 / mo.    |
|    | Consumption                                  | \$2.80 /1000 gal. |

### RATE SCHEDULE NO. 7 FIRE LINE SERVICE

- AVAILABILITY - Available within the Company's service area.  
APPLICABILITY - Applicable for private fire lines.

#### Water Service Charges

Base Facilities Charge	
2" Line	\$6.00 / mo.
3" Line	\$11.00 / mo.
4" Line	\$19.00 / mo.
6" Line	\$38.00 / mo.

#### Tap-In Fees

2" Line	\$4,000.00
3" Line	\$8,750.00

Water tap-in fee where the service is larger than 3" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.



## **RATE SCHEDULE NO. 8 STANDBY SERVICE – GOLF COURSES**

### Available For

This tariff sets forth rates and terms and conditions of Standby Service applicable to any golf course customer that has an Alternative Source of Supply. For purposes of this tariff, an Alternative Source of Supply shall mean any external or internal source of water supply (or combination of such sources of supply) other than the Company, including an expansion of, or an addition to, an existing source of water supply, which (I) has capacity available to provide the Standby Customer with at least 100,000 gallons of water per day on average; and (II) supplies or is intended to supply water which would, to the extent that the source of supply becomes unavailable or inadequate to meet the customer's needs, be otherwise provided by the Company. Each Standby Customer is required to enter into a Standby Service Contract and pay the charges applicable to Standby Service in accordance with the provisions of this tariff.

### Amount of Standby Service

The Standby Service Contract shall identify the Standby Customer's Contractual Maximum Daily Standby Demand, i.e., the maximum daily amount of water that the Company is obligated to provide as a standby source of supply in the event that all or a portion of the Standby Customer's Source(s) of Supply becomes unavailable to the Standby Customer or is unable to meet the Standby Customer's needs. The Contractual Maximum Daily Standby Demand shall be equal to either (I) the total capacity of the Customer's Alternative Source(s) of Supply or (II) such other reasonable amount which the Company and Standby Service Customer may agree upon. The Contractual Maximum Daily Standby Demand shall be subject to adjustment in accordance with the above provision in the event that the total capacity of the Standby Customer's Alternative Source(s) of Supply is increased or decreased.

### Demand Charges

Each Standby Customer shall pay for each billing period a Monthly Demand Charge of \$14.20 per 1,000 gallons of Contractual Maximum Daily Standby Demand, subject to an additional charge for standby usage in excess of that demand, as specified below.

### Usage Charges

In addition to the monthly Demand Charge specified above, each Standby Customer shall pay the then in effect consumption rates for each source of golf irrigation applied to the amount of that source actually used for the billing period (whether or not for standby purposes). For all usage (whether or not for standby purposes) in excess of the amount consistent with the Contractual Maximum Daily Demand, the Standby Customer shall be charged for usage in accordance with Usage Rates contained in the otherwise applicable Metered General Water Service Schedule of Rates.

**RATE SCHEDULE NO. 8**  
**STANDBY SERVICE – GOLF COURSES**

Requirements For Service Under Tariff

Each customer which acquires or adds an Alternative Source(s) of Supply and, as a result becomes a Standby Customer as defined in this tariff shall, within ten days of doing so, notify the Company of the total amount of the capacity of the Standby Customer's Alternative Source(s) of Supply, and enter into Standby Service Contract in accordance with the terms of this tariff.

Each Standby Customer which is taking service under Standby Service Contract pursuant to this tariff and takes actions which increase the capacity of the Standby Customer's Alternative Source(s) of Supply shall, within ten days of doing so, notify the Company of the resulting total capacity of the Customer's Alternative Sources of Supply, at which time the Contractual Maximum Daily Standby Demand under contract shall be subject to adjustment in accordance with the terms of this tariff.

Charge For Usage In Excess of Contractual Demand

The following provision applies only to each Standby Customer whose Contractual Maximum Daily Demand is less than the total capacity of its Alternative Source(s) of Supply. If and when the maximum daily amount of standby water actually used by such a Standby Customer (the "Actual Maximum Daily Standby Demand") exceeds that customer's then existing Contractual Maximum Daily Standby Demand: (I) the Actual Maximum Daily Standby Demand may, at the election of the company, become that customer's new Contractual Maximum Daily Standby Demand beginning with the month in which the Actual Maximum Daily Standby Demand is established and (II) the Standby Customer shall be subject to an Excess Usage Charge in addition to all other charges under this tariff. The Excess Usage Charge shall be determined by applying the Monthly Demand Charge per thousand gallons to the number of gallons calculated by multiplying the difference between the Actual Maximum Daily Standby Demand and the existing Contractual Maximum Daily Standby Demand by the lesser of (I) 24 months or (II) the number of months during the period beginning with the month for which the existing Contractual Maximum Daily Demand first became effective and ending with the month immediately preceding the month in which the Actual Daily Standby Demand was established.

Requirement For Standby Customers Which Fail To Enter Into Standby Service Contract

A Customer qualifying for Standby Service but which has not entered into Standby Service Contract with the Company in accordance with the requirements of the tariff, and requires water from the Company in an amount equal to or greater than 100,000 gallons per day, may obtain such water from the Company on the following conditions: (I) the customer shall enter into a Standby Service Contract pursuant to the terms and conditions of this tariff and (II) the customer shall pay an Excess Usage Charge, which shall be

**RATE SCHEDULE NO. 8**  
**STANDBY SERVICE – GOLF COURSES**

determined by applying the Demand Charge per thousand gallons to the number of gallons calculated by multiplying the maximum daily demand required by the lesser of (I) 24 months (II) the number of months during the period beginning with the month following the effectiveness of this tariff in which the customer first met the definition of Standby Customer and ending with the month in which the customer enters into a Standby Service Contract.

**STANDBY SERVICE AGREEMENT  
GOLF COURSE CUSTOMER  
RATE SCHEDULE NO. 8**

DATE OF REQUEST:

NAME OF STANDBY CUSTOMER:

If an individual golf course has an alternate source of water and does not depend on the combined sources provided by the Company, yet desires the Company to make available a specific quantity of water for reliability purposes, it must enter into this Standby Service Agreement.

**GOLF COURSE SERVICE ADDRESS:**

\_\_\_\_\_  
\_\_\_\_\_

Contractual Maximum Daily Standby Demand in Thousand Gallons: \_\_\_\_\_

Monthly Demand Charge (Standby Demand x \$14.20/thousand) \$ \_\_\_\_\_

Standby customer agrees to pay the monthly demand charge as shown above as well as any additional applicable charges as described in Rate Schedule #8.

\_\_\_\_\_  
Signature of Standby Customer

Notarized By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Accepted by the Company: \_\_\_\_\_

## PURCHASED WATER ADJUSTMENT

Kiawah Island Utility, Inc. ("Company") purchases its potable water from the St. John's Water Company ("St. John's"), which in turn purchases the water from the Commissioners of Public Works of the City of Charleston ("CPW"). Whenever CPW increases the price of water sold to St. John's, the increase in price is passed through to the Company pursuant to the water purchase agreement between the Company and St. John's.

The water purchase agreement also provides, as part of the purchased water price, a pro-rata share of St. John's annual operation and maintenance costs to be charged to the Company. Therefore, the Company's revenue requirement for purchased water is made up of the water unit price per thousand gallons and the operation and maintenance costs charged by St. John's.

Accordingly, whenever there is a price adjustment for the purchase of potable water to Kiawah Island Utility, Inc. by the St. John's Water Company, the following billing adjustment shall be made by the Company to its customer rates:

### 1. Billing Adjustment

In the event that St. John's adjusts (whether an increase or decrease) the unit price per 1,000 gallons and/or the operation and maintenance charges related to the purchase of potable water, the following billing adjustment practice would apply:

- (a) If the unit price is adjusted the cost change per 1,000 gallons would be passed through to the customers as an adjustment in like amount to the consumption charge on their water bill.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

- (b) If the pro-rata operation and maintenance charge is adjusted the cost change per 1,000 gallons (based on the most recent 12 months of potable water billed) would be passed through to the customers as an adjustment to the consumption charge on their water bill.

Example: The annual operation and maintenance charge is increased by \$18,000 and the most recent 12 months of potable water billed is 900,000 thousand gallons. The consumption charge on the customers bill would reflect a two cent per 1,000 gallon increase.

### 2. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

- (a) The Company shall furnish the South Carolina Public Service Commission satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- (b) The Company shall furnish thirty (30) days prior written notice to the customers affected by the Purchased Water Adjustment advising them of the basis for the billing adjustment and its effective date.

**CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION  
AND OTHER MISCELLANEOUS SERVICE CHARGES**

1. When a customer requests discontinuance of service for reasons other than major repair, maintenance, or construction at the service address or for the transfer of possession or ownership of the service address, the Company may charge the equivalent of three months of basic facilities charges for both water and sewer service and require payment of such charges when for any reason service is restored to that particular customer.
2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$25.00 for water and \$100.00 for sewer before service is restored.
4. Whenever service has been disconnected for reasons other than set forth in (3) above, the Company shall have the right to charge a \$25.00 reconnection fee to restore service.
5. Delinquent Notification Fee - \$10.00. A fee of \$10.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service.
7. Return Check Charge (NSF) - \$20.00.
8. Backflow Monitoring - \$0.20 per month. A fee of \$0.20 per month shall be charged each customer to reimburse the Company for Backflow Monitoring required by DHEC regulations.
9. DHEC Charges. If the South Carolina Department of Health & Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified as a separate billed item and included in the total of the service billing.

**EFFECT OF PROPOSED RATES ON OPERATING REVENUE**

**TY 2000-BILLING ANALYSIS USING ANNUALIZED BILLS**

WATER REVENUE					
	PRESENT	PROPOSED	AMOUNT OF	PERCENT	
SOURCE	REVENUE	REVENUE	INCREASE	INCREASE	
RESIDENTIAL	\$1,696,757	\$2,172,933	\$476,176	28.1%	
COMMERCIAL	\$160,511	\$191,709	\$31,198	19.4%	
HOTELS	\$38,403	\$45,902	\$7,499	19.5%	
IRRIGATION	\$677,513	\$800,163	\$122,650	18.1%	
GOLF COURSE	\$226,779	\$269,443	\$42,664	18.8%	
FIRE HYDRANT REV	\$38,495	\$38,495	\$0	0.0%	
WATER SERVICE REV	\$2,838,458	\$3,518,645	\$680,187	24.0%	
MISC WAT SER REV	\$21,373	\$21,373	\$0	0.0%	
<b>TOTAL WAT SER REV</b>	<b>\$2,859,831</b>	<b>\$3,540,018</b>	<b>\$680,187</b>	<b>23.8%</b>	

SEWER REVENUE					
	PRESENT	PROPOSED	AMOUNT OF	PERCENT	
SOURCE	REVENUE	REVENUE	INCREASE	INCREASE	
RESIDENTIAL	\$710,486	\$1,024,753	\$314,267	44.2%	
COMMERCIAL	\$102,767	\$144,416	\$41,649	40.5%	
HOTELS	\$29,543	\$42,638	\$13,095	44.3%	
GOLF COURSES	\$202,682	\$292,664	\$89,982	44.4%	
SEWER SERVICE REV	\$1,045,478	\$1,504,471	\$458,993	43.9%	
MISC SEW SER REV	\$13,935	\$13,935	\$0	0.0%	
<b>TOTAL SEW SER REV</b>	<b>\$1,059,413</b>	<b>\$1,518,406</b>	<b>\$458,993</b>	<b>43.3%</b>	

COMBINED REVENUE					
	PRESENT	PROPOSED	AMOUNT OF	PERCENT	
SOURCE	REVENUE	REVENUE	INCREASE	INCREASE	
TOT WAT SER REV	\$2,859,831	\$3,540,018	\$680,187	23.8%	
TOT SEW SER REV	\$1,059,413	\$1,518,406	\$458,993	43.3%	
<b>TOTAL OPER REV</b>	<b>\$3,919,244</b>	<b>\$5,058,424</b>	<b>\$1,139,180</b>	<b>29.1%</b>	

Utilities Department Exhibit No. 2 shows the effect of the proposed rates and charges on revenue. The requested rates and charges will produce \$680,187, or 23.8% in additional water service revenues and \$458,993, or 43.3% in additional sewer service revenues. Combined, the requested rates will produce \$1,139,180, or 29.1% in additional revenue.

ADJUSTMENTS TO TEST YEAR OPERATING REVENUES

			SEE NOTE # 1
<b>WATER SERVICE</b>	TEST YEAR	ADJUSTMENTS	ANNUALIZED
	PER BOOK	TO	REVENUE @
SOURCE	REVENUES	ANNUALIZE	PRESENT
		REVENUE	RATES
RESIDENTIAL	\$1,687,672	\$9,085	\$1,696,757
COMMERCIAL	\$158,173	\$2,338	\$160,511
HOTELS	\$37,940	\$463	\$38,403
IRRIGATION	\$657,554	\$19,959	\$677,513
GOLF COURSE	\$229,340	-\$2,561	\$226,779
FIRE HYDRANT REV	\$38,495	\$0	\$38,495
MISC WAT SER REV	\$21,373	\$0	\$21,373
<b>TOTAL WAT SER REV</b>	<b>\$2,830,547</b>	<b>\$29,284</b>	<b>\$2,859,831</b>

<b>SEWER SERVICE</b>	TEST YEAR	ADJUSTMENTS	ANNUALIZED
	PER BOOK	TO	REVENUE @
SOURCE	REVENUES	ANNUALIZE	PRESENT
		REVENUE	RATES
RESIDENTIAL	\$697,202	\$13,284	\$710,486
COMMERCIAL	\$102,508	\$259	\$102,767
HOTELS	\$29,199	\$344	\$29,543
GOLF COURSE EFF	\$160,651	\$42,031	\$202,682
MISC SEW SER REV	\$13,935	\$0	\$13,935
<b>TOTAL SEW SER REV</b>	<b>\$1,003,495</b>	<b>\$55,918</b>	<b>\$1,059,413</b>

<b>COMBINED</b>	PER BOOK	ADJUSTMENTS	ANNUALIZED \$
	OPERATING \$		AS ADJUSTED
WATER	\$2,830,546	\$29,285	\$2,859,831
SEWER	\$1,003,496	\$55,917	\$1,059,413
<b>TOTAL</b>	<b>\$3,834,042</b>	<b>\$85,202</b>	<b>\$3,919,244</b>

NOTE NO. 1 - ANNUALIZED DOES NOT INCLUDE CUSTOMER GROWTH.



**DOCKET NO. 2001-164-W/S//UTILITIES DEPT//EXHIBIT NO. 3**

**EFFECT OF PROPOSED RATES ON RESIDENTIAL CUSTOMER'S MONTHLY BILL**

Rate impact of all residential customers						
Includes condominiums and single family homes						
using an average of <b>14,000</b> gallons /month						
		present	proposed	amount of	percent	
		rate	rate	increase	increase	
water		\$47.90	\$62.32	\$14.42	30.1%	
sewer		\$23.17	\$33.43	\$10.26	44.3%	
combined		\$71.07	\$95.75	\$24.68	34.7%	

Rate impact of single family homes using an average						
of <b>22,000</b> gallons /month						
		present	proposed	amount of	percent	
		rate	rate	increase	increase	
water		\$65.50	\$82.80	\$17.30	26.4%	
sewer		\$23.17	\$33.43	\$10.26	44.3%	
combined		\$88.67	\$116.23	\$27.56	31.1%	

Rate impact using all regulated water companies in SC with an						
average of <b>7,000</b> gallons per month						
		present	proposed	amount of	percent	
		rate	rate	increase	increase	
water		\$32.90	\$44.88	\$11.98	36.4%	
sewer		\$21.29	\$30.71	\$9.42	44.2%	
combined		\$54.19	\$75.59	\$21.40	39.5%	

**DOCKET NO. 2001-164-W/S//UTILITIES DEPT//EXHIBIT NO. 4**

**EFFECT OF PROPOSED RATES AND CHARGES ON GOLF COURSES**

**MONTHLY IRRIGATION BILL**

**Exhibit No. 4 shows the rate impact using the AVERAGE flow for the test year**

<b>GOLF COURSE</b>	<b>AVERAGE FLOW (gals)</b>	<b>PRESENT BILL</b>	<b>PROPOSED BILL</b>	<b>AMOUNT OF INCREASE</b>	<b>PERCENT INCREASE</b>
<b>COUGAR POINT</b>	10,693,717	\$9,290	\$11,928	\$2,639	28%
<b>TURTLE POINT</b>	7,908,083	\$7,948	\$10,317	\$2,369	30%
<b>OSPREY POINT</b>	0	\$4,217	\$5,834	\$1,616	38%
<b>OCEAN COURSE</b>	0	\$0	\$0	\$0	0%
<b>RIVER COURSE</b>	12,643,583	\$10,124	\$12,939	\$2,815	28%

## BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: KIAWAH ISLAND UTILITIES, INC. INSPECTOR: W. RICHARDSON

OFFICE: KIAWAH ISLAND, SC DATE: JAN. 22, 2002

COMPANY REPRESENTATIVE: BECKY DENNIS & VICKY DYKE

### IN COMPLIANCE YES OR NO\*

- YES 1. Are all records and reports available for examination in accordance with Rule R.103-710 and R.103-510?
- YES 2. Are complaint records maintained in accordance with Rule R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530?
- YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530?
- \* 5. Are deposits charged within the limits established by Rule R.103-731 and R.103-531?
- YES 6. Are timely and accurate bills being rendered to customers in accordance with Rule R.103-733 and R.103-532?
- YES 7. Are bill forms in accordance with Rule R.103-732 and R.103-532?
- YES 8. Are adjustments of bills handled in accordance with Rule R.103-733 and R.103-533?
- YES 9. Is the policy for customer denial or discontinuance of service in accordance with Rule R.103-735 and R.103-535?
- YES 10. Are notices sent to customers prior to termination in accordance with Rule R.103-735 and R.103-535?
- YES 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which effect service provided to its customers in accordance with rule R.103-714-C and R.103-514-C?

- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions or service in accordance with Rule R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
  - (b) Customer relations (complaints)?
  - (c) Engineering operations?
  - (d) Meter tests and repairs?
  - (e) Emergencies during non-office hours?
- YES 15. Has the Company verified the maps on file with the Commission include all the service area of the Company?
- S 2900
- W 3200 16. Number of customers the Company has at present.
- YES 17. Does the Company have a current performance bond on file with the Commission?  
Amount of bond \$50,000 WATER & \$50,000 SEWER

\*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS: \* Company does not charge deposits

**DOCKET NO. 2001-164-W/S//UTILITIES DEPT//EXHIBIT NO. 6**

**REVIEW OF SERVICE PROVIDED BY THE COMPANY**

On January 7-11, and January 22-23, 2002 Staff of the Public Service Commission of South Carolina conducted an audit and inspection of the water and sewer systems operated by Kiawah Island Utility, Inc. which provides water service to residential, commercial, hotel, irrigation, fire hydrant and golf course customers and provides sewer service to residential, commercial and hotel customers.

The Company provides acceptable service to its customers. Staff has received no complaints from any customers for the previous 3 years.

There has not been any letters of protest by any residential customers. There have been numerous Petitions to Intervene filed by commercial entities.

The following pages are a summary of the facilities operated by Kiawah Island Utility, Inc.

# WATER SYSTEM INSPECTION

UTILITY Kiawah Island Utility, Inc. INSPECTED BY William Richardson  
 SYSTEM Kiawah Island DATE INSPECTED 1-27-2002  
 COMPANY REP B. Dennis

TOTAL NUMBER OF WELL SITES 1

NUMBER OF WELLS NOT IN OPERATION Well water used for golf course irrigation

REASON FOR INOPERABLE WELLS \_\_\_\_\_

PUMP HOUSES YES ✓ NO \_\_\_\_\_ NUMBER 1

ELECTRIC WIRING ACCEPTABLE ✓ FAULTY \_\_\_\_\_

EXPOSED PIPING YES \_\_\_\_\_ NO ✓

LOCATION \_\_\_\_\_

CHLORINATOR YES ✓ NO \_\_\_\_\_

OTHER CHEMICALS YES \_\_\_\_\_ NO ✓

IN USE YES ✓ NO \_\_\_\_\_

STORAGE PRESSURE TANK \_\_\_\_\_ NON-PRESSURE TANK ✓

GROUND LEVEL ✓ OVERHEAD \_\_\_\_\_

SIZE IN GALLONS 2 - 1,000,000 tanks 1 - 2,500,000 tank

P.S.I. AT TANK 78 PSI

METERS YES ✓ NO \_\_\_\_\_

FIRE HYDRANTS YES ✓ NO \_\_\_\_\_

AIR IN LINES YES \_\_\_\_\_ NO ✓

SAND IN WATER YES \_\_\_\_\_ NO ✓

CLARITY OF WATER clear

ODOR none

LEAKS YES \_\_\_\_\_ NO ✓

LOCATION \_\_\_\_\_

NEW CONSTRUCTION YES ✓ NO \_\_\_\_\_

HOUSES YES ✓ NO \_\_\_\_\_

UTILITY YES \_\_\_\_\_ NO ✓

NATURE houses

FREQUENCY CHECKED BY OPERATOR daily

APPROXIMATE NUMBER OF CUSTOMERS 3,200 CAPACITY OF SYSTEM 3,740

LOCATION OF UTILITY OFFICE Kiawah Island

LOCATION OF SYSTEM Kiawah Island

SYSTEM APPROVED BY COMMISSION YES ✓ NO \_\_\_\_\_ DATE 3-31-1999

IS SUBDIVISION PROVIDED SEWER BY THIS UTILITY? YES ✓ NO \_\_\_\_\_

BY WHOM? \_\_\_\_\_

OTHER COMMENTS All potable water is purchased from St. Johns Water Company

# SEWERAGE SYSTEM INSPECTION

UTILITY: Kiawah Island Utility, Inc. NO. OF CUSTOMERS: 2,900

SYSTEM: Kiawah Island DATE INSPECTED: 1-22-2002

INSPECTED BY: William Richardson CO. REPRESENTATIVE: B. Dennis

TYPE OF PLANT: MECHANICAL \_\_\_\_\_ LAGOON ✓

EXTENT OF TREATMENT: PRIMARY \_\_\_\_\_ SECONDARY ✓ TERTIARY \_\_\_\_\_

CHLORINATOR YES ✓ NO \_\_\_\_\_

OTHER CHEMICALS IN USE YES ✓ NO \_\_\_\_\_

AERATORS YES ✓ NO \_\_\_\_\_

PLANT FENCED & LOCKED YES ✓ NO \_\_\_\_\_

WARNING SIGNS VISIBLE YES ✓ NO \_\_\_\_\_

HOLES IN FENCE YES \_\_\_\_\_ NO ✓

EROSION OF DIKES YES \_\_\_\_\_ NO ✓

ODOR YES \_\_\_\_\_ NO ✓

GRASS CUT YES ✓ NO \_\_\_\_\_

DUCK WEED OR ALGAE YES ✓ NO \_\_\_\_\_

GREASE BUILD-UP YES \_\_\_\_\_ NO ✓

DEBRIS INSIDE PLANT YES \_\_\_\_\_ NO ✓

COLOR OF EFFLUENT Sent to golf courses

LIFT STATIONS YES ✓ NO \_\_\_\_\_ NUMBER 43

FAILURE WARNING SYSTEM YES ✓ NO \_\_\_\_\_

ELECTRIC WIRING (ACCEPTABLE) YES ✓ NO \_\_\_\_\_

OVERFLOWS YES \_\_\_\_\_ NO ✓

CONDITION OF ACCESS ROAD GOOD ✓ BAD \_\_\_\_\_

NEW CONSTRUCTION YES ✓ NO \_\_\_\_\_

HOUSES YES ✓ NO \_\_\_\_\_

UTILITY YES ✓ NO \_\_\_\_\_

FREQUENCY CHECKED BY OPERATOR Daily

LOCATION OF UTILITY OFFICE Kiawah Island, SC

LOCATION OF SYSTEM Kiawah Island, SC

IS SUBDIVISION PROVIDED WATER BY THIS UTILITY? YES ✓ NO \_\_\_\_\_

BY WHOM? \_\_\_\_\_

COMMENTS: Effluent sold to golf courses @ \$.13 per 1,000 gallons